

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

<b>In Re:</b>  <b>W.R. GRACE &amp; CO., et al</b>  <b>Debtors</b>	<b>§</b> <b>§</b> <b>§</b> <b>§</b> <b>§</b>	<b>Chapter 11</b> <b>Jointly Administered</b> <b>Case No. 01-1139 (JKF)</b>
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**FEE AUDITOR'S FINAL REPORT REGARDING  
INTERIM APPLICATION OF FTI POLICANO & MANZO  
FOR THE FIRST, SECOND, AND THIRD INTERIM PERIODS**

This is the final report of Warren H. Smith & Associates, P.C. ("Smith"), acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Interim Application of FTI Policano & Manzo for the First, Second, and Third Interim Periods (the "Application").

**BACKGROUND**

1. FTI Policano & Manzo ("FTIP&M") was retained as Financial Advisors to the Official Committee of Unsecured Creditors. In the Application, FTIP&M seeks approval of fees totaling \$589,914.50. and expenses totaling \$21,627.43 for its services from April 20, 2001, through December 31, 2001.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time entries included in the exhibits to the Application. We reviewed the Application for compliance with the Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed

Under 11 U.S.C. 330, Issued January 30, 1996, (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served on FTIP&M an initial report based on our review and received a response from FTIP&M, portions of which response are quoted herein.

## **DISCUSSION**

### General Issues

3. In our initial report, we noted that FTIP&M professionals Policano, Ordway, Cunningham and MacCallum consistently lumped their time entries. We asked FTIP&M to advise these professionals not to lump their time entries in the future. FTIP&M stated that it will endeavor to provide more specific time descriptions in the future

4. In our initial report, we noted that the fee entry detail is reported chronologically by timekeeper as opposed to chronologically by category. We asked FTIP&M report time chronologically by category in the future. FTIP&M responded thus:

The Fee Auditor has requested that FTIP&M report time chronologically by category rather than by timekeeper in the future. Currently, our internal systems are set up to report time chronologically by timekeeper, not by category. Therefore, such a change will require either a considerable financial investment in a different timekeeping system or additional time to manually re-compile the time entries each month. FTIP&M will explore both possibilities in an attempt to comply with the Fee Auditor's request in the future, however, we would like a determination from the Fee Auditor about the necessity for this change in our record keeping.

We have discussed this issue with FTIP&M, and we have advised FTIP&M that its practice of reporting time chronologically by timekeeper rather than category does not substantially hinder our review of its applications. We do not have an objection to FTIP&M's continuing this practice.

5. In our initial report, we noted that the travel expenses for the Application Period were not supported by detail sufficient to enable us to determine the cost of particular meetings. We asked for additional detail in this regard. FTIP&M subsequently provided this detail in a format that facilitated our review. Our subsequent review did not reveal a basis for reductions relating to such expenses.

#### Specific Time and Expense Entries

6. In our initial report, we noted that between April 20, 2001, and November 27, 2001, FTIP&M billed 217.5 hours for a cost to the bankruptcy estate of \$81,500 in fees for multiple professionals to participate in or attend the same meeting, hearing, or conference call. See Exhibit A. We asked FTIP&M to explain why it was necessary for multiple professionals to participate in or attend each of these meetings, hearings, and conference calls. FTIP&M offered a lengthy response that is attached hereto as Response Exhibit 1 (with internal numeration deleted). We accept the proffered explanation and recommend no reduction in this regard.

7. In our initial report, we noted that between May 1, 2001, and December 27, 2001, FTIP&M billed 173.5 hours for a cost to the bankruptcy estate of \$52,794.50 matters which appear to be appropriate for lower-rate professionals. See Exhibit B. We asked FTIP&M to explain why these tasks were not assigned to a lower-rate professional. FTIP&M responded thus:

The Fee Auditor has made this comment in the prior audit of the 4<sup>th</sup> interim period. In that audit, the Fee Auditor has sought to limit the fee application costs and reduced the allowed fees to approximately 8% of total fees incurred. The fees charged by FTI of \$52,794.50 for the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> interim period are approximately 9% of the total fees charged for these periods. FTI P&M believes that the assignment of a professionals to prepare and review the fee applications was appropriate and that the fees charged for this task have not been excessive. We respectfully request that the Fee Auditor let stand these charges.

While many of these tasks are not *per se* inappropriate for higher-priced professionals, the problem is the cumulative effect of these entries. Most of these entries relate to the preparation of fee applications, and the \$47,085 of such fees relating to fee application preparation constitute 7.98% of the total fees requested for the Application Period. While we understand that compliance with the administrative procedures related to compensation may seem burdensome, we do not believe that this is a valid excuse for an applicant charging so much time to seeking its own compensation. We note that most other applicants in this case have managed to comply with all such administrative procedures without such a high percentage of their fees being attributable to fee application preparation. While FTIP&M's fee application charges for the Application Period do not constitute as great a percentage of the total as they did for the subsequent application period (January through March 2002), we nonetheless believe that the amount charged by FTIP&M for seeking its own compensation is excessive. The fact that we recommended only a 50% reduction in fee application charges for the subsequent application period -- resulting in a reduction of such fees from 16% of the total to 8% of the total -- does not necessarily mean that we find an 8% share to be reasonable. In fact, we find any amount in excess of 5% to be suspect, and we recommended the allowance of fee application charges totaling 8% of the requested fees for the subsequent application period to avoid what we perceived to be a harsh result. Because of FTIP&M's cooperation in agreeing to accept the reduction noted in paragraph 10 below, we will not recommend a reduction in the full amount by which FTIP&M's fee application charges exceed 5% of the total fees requested; instead, we will moderate our recommendation and recommend a reduction equal to half of the amount by which

the fee application charges exceed 5% of the fees requested for this Application Period.

Accordingly, we recommend a reduction of \$8,794.64 in fees.<sup>1</sup>

8. In our initial report, we noted that between April 20, 2001, and December 31, 2001, FTIP&M billed \$4,076.20 for in-house copy production which was billed at \$.20 per page. This rate is higher than the allowed \$.15 maximum per page. FTIP&M agreed that a five-cent-per-page reduction is appropriate. Accordingly, we recommend a reduction of \$1,019.05 in expenses.

9. In our initial report, we noted that between April 20, 2001, and December 31, 2001, FTIP&M billed \$667.50 for facsimile transmissions which was billed at \$1.25 per page. This rate is higher than the allowed \$1.00 maximum per page. FTIP&M agreed that a 25-cent-per-page reduction is appropriate. Accordingly, we recommend a reduction of \$133.50 in expenses.

10. In our initial report, we noted that between April 20, 2001, and December 31, 2001, FTIP&M billed \$4,136.25 for word processing and \$2,962.50 for document preparation and handling services. Under the Guidelines, such expenses may be characterized as overhead. We asked FTIP&M to explain why they should not be so characterized. FTIP&M responded thus:

The Fee Auditor noted in the prior audit of the 4<sup>th</sup> interim period that the Guidelines provide that non-reimbursable overhead is not chargeable and subsequently disallowed FTI P&M charges for these items in the 4<sup>th</sup> interim period. In the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> interim periods, FTI P&M charged to the Debtors minimal amounts of word processing and document preparation directly related to the case. We respectfully submit that the charges were accurate, necessary and directly related to the preparation of case documents, however, FTI P&M will accept a reduction for these

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<sup>1</sup> We calculate that 5% of \$589,914.50 is \$29,495.72, and \$47,085 minus \$29,495.72 is \$17,589.28. Half of \$17,589.28 is \$8,794.64.

charges for the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> interim periods and will eliminate these charges on a going-forward basis, in accordance with the Fee Auditor's determination in the preceding audit.

We appreciate FTIP&M's cooperative attitude in agreeing to accept a reduction of \$7,098.75 in expenses.

### **CONCLUSION**

11. Thus, we recommend approval of fees totaling \$574,021.11 (\$589,914.50 minus \$15,893.39) and costs totaling \$20,474.88 (\$21,627.43 minus \$1,152.55) for FTIP&M's services from April 20, 2001, through December 31, 2001.

Respectfully submitted,

**WARREN H. SMITH & ASSOCIATES, P.C.**

By: 

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**FEE AUDITOR**

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on the 29<sup>th</sup> day of October 2002.



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Warren H. Smith

## SERVICE LIST

### **The Applicant**

Edwin N. Ordway, Jr.

### **FTI Policano & Manzo**

Park 80 West, Plaza 1

Saddle Brook, NJ 07663

### **The Debtors**

David B. Siegel, Esq.

Sr. V.P. and Gen. Counsel

W.R. Grace & Co.

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Columbia, MD 21044

### **Counsel for the Debtors**

James H.M. Sprayregen, Esq.

Kirkland & Ellis

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### **Counsel to the Official Committee of Property Damage Claimants**

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### **Official Committee of Equity Holders**

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Kramer Levin Naftalis & Frankel

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New York, NY 10022

Teresa K.D. Currier, Esq.

Klett Rooney Lieber & Schorling

1000 West Street, Suite 1410

Wilmington, DE 19801



**United States Trustee**

Office of the United States Trustee  
Frank J. Perch, Esq.  
844 King Street, Suite 2311  
Wilmington, DE 19801

## Exhibit A

Date	Timekeeper	Time	Fee	Description
<b><u>A-1</u></b>				
20-Apr	Cunningham	2.40	\$972.00	Attended meeting with committee and counsel to discuss critical vendor motion and compensation issues; participated in conference call with Debtor's management and counsel regarding same issues.
20-Apr	Ordway	2.40	\$1,140.00	Attended meeting with committee and counsel to discuss critical vendor motion and compensation issues; participated in conference call with Debtor's management and counsel regarding same issues.
20-Apr	Policano	2.40	\$1,260.00	Attended meeting with committee and counsel to discuss critical vendor motion and compensation issues; participated in conference call with Debtors' management and counsel regarding same issues.
		<u>7.20</u>	<u>\$3,372.00</u>	
<b><u>A-2</u></b>				
22-Apr	Cunningham	1.50	\$607.50	Reviewed Critical Vendor information in preparation for conference call with JP Forehand - VP OPS and staff.
23-Apr	Cunningham	1.60	\$648.00	Participated in conference call with Debtor management to discuss and analyze critical vendors and revised proposal therefore.
23-Apr	Ordway	1.10	\$522.50	Participated in conference call with Debtor's management to discuss and analyze critical vendors and revised proposal therefore.
		<u>4.20</u>	<u>\$1,778.00</u>	
<b><u>A-3</u></b>				
26-Apr	Cunningham	2.40	\$972.00	Participated in conference call with Counsel and Company to discuss various employee motions and plans.
26-Apr	Cunningham	0.70	\$283.50	Discussed Critical Vendor Motion issues with Counsel.
26-Apr	Ordway	2.00	\$950.00	Participated in conference call with committee counsel and Debtors' representatives regarding motions concerning compensation matters.
26-Apr	Ordway	0.70	\$332.50	Conference call with counsel to discuss critical vendor retention issues.
		<u>5.80</u>	<u>\$2,538.00</u>	
<b><u>A-4</u></b>				
27-Apr	Cunningham	0.80	\$324.00	Reviewed and discussed draft of vendor data with Counsel.
27-Apr	Ordway	0.50	\$237.50	Prepared for conference call with committee and counsel to discuss critical vendors.
27-Apr	Ordway	1.70	\$807.50	Participated in conference call and presented findings regarding critical vendor analysis/discussion with Debtors.
		<u>3.00</u>	<u>\$1,369.00</u>	
<b><u>A-5</u></b>				
1-May	Cunningham	1.60	\$648.00	Participated in conference call with Committee re: employee motions and critical vendor motion.
1-May	Ordway	1.30	\$617.50	Participated in committee conference call regarding compensation and critical vendor motion issues.
		<u></u>	<u></u>	

## Exhibit A

2.90 \$1,265.50

**A-6**

3-May	Cunningham	3.40	\$1,377.00	Met with Tom Maher - Chairman of Unsecured Committee to review project scope and workplan.
3-May	Ordway	1.30	\$617.50	Meet with Committee chairperson to review scope of services and work plan
		4.70	\$1,994.50	

**A-7**

10-May	Cunningham	1.20	\$486.00	Prepared for call with counsel re: compensation issues.
10-May	Ordway	1.20	\$570.00	Called counsel to discuss compensation report draft and developed recommendations for the Committee.
		2.40	\$1,056.00	

**A-8**

16-May	Cunningham	0.80	\$324.00	Participated in conference call with counsel and committee chairman re: Employee Motions.
16-May	Ordway	0.80	\$380.00	Participated in conference call with counsel and chair to discuss executive compensation and retention issues.
		1.60	\$704.00	

**A-9**

18-May	Cunningham	1.50	\$607.50	Participated in conference call with Debtor professionals and Committee counsel regarding compensation issues.
18-May	MacCallum	1.50	\$442.50	Participated in conference call with counsel regarding retention/severance report and information request list.
18-May	Ordway	1.50	\$712.50	Participated in conference call with Debtor professionals and Committee counsel regarding compensation issues.
		4.50	\$1,762.50	

**A-10**

22-May	Cunningham	1.00	\$405.00	Met with Blackstone, Tarola re: Information requested and workplan.
22-May	Cunningham	5.50	\$2,227.50	Attended meeting with Committee and Debtors to receive Debtors presentation on financial status and case status.
22-May	Ordway	1.10	\$522.50	Met with Blackstone and Debtors' management to discuss work to be performed and timetable.
22-May	Ordway	6.10	\$2,897.50	Attended meeting with Committee and Debtors to receive Debtors presentation on financial status and case status.
		13.70	\$6,052.50	

**A-11**

5-Jun	Ordway	1.30	\$617.50	Prepared for conference call with committee by reading analyses and preparing discussion outline.
6-Jun	Cunningham	0.50	\$202.50	Participated in conference call with committee and counsel to discuss compensation issues.
6-Jun	MacCallum		\$147.50	Participated in conference call with committee and counsel to discuss compensation issues and CEO contract.
6-Jun	Ordway	0.50	\$237.50	Participated in conference call with committee and counsel to discuss compensation issues.

## Exhibit A

2.80 \$1,205.00

**A-12**

13-Jun	Cunningham	0.50	\$202.50	Reviewed and resolved confidentiality issues with Kirkland & Ellis.
	am			
13-Jun	Ordway	0.20	\$95.00	Discussed confidentiality agreement with counsel.
		0.70	\$297.50	

**A-13**

14-Jun	Cunningham	8.00	\$3,240.00	Met with management to discuss and review: Operating results by business segment, Proposed acquisition in Europe, Business Planning process, Information request list.
	am			
14-Jun	Ordway	8.00	\$3,800.00	Met with management to discuss and review: Operating results by business segment, Proposed acquisition in Europe, Business Planning process, Information request list.
14-Jun	Whitney	8.00	\$2,520.00	Met with management to discuss and review: Operating results by business segment, Proposed acquisition in Europe, Business Planning process, Information request list.
		24.00	\$9,560.00	

**A-14**

15-Jun	Cunningham	0.40	\$162.00	Provided general update to counsel and committee chair on meeting.
	am			
15-Jun	Whitney	0.60	\$189.00	Provided general update to counsel and committee chair on meeting with Grace management.
		1.00	\$351.00	

**A-15**

22-Jun	Cunningham	0.30	\$121.50	Discussed confidentiality issues with committee chair.
	am			
22-Jun	Ordway	0.10	\$47.50	Called committee chair to discuss confidentiality issues.
		0.40	\$169.00	

**A-16**

26-Jun	Cunningham	1.00	\$405.00	Participated in phone calls and conference call with counsel and committee chair to discuss report findings relating to Project Peter.
	am			
26-Jun	MacCallum	1.10	\$324.50	Participated in phone calls and conference call with counsel and committee chair to discuss report findings relating to Project Peter.
	m			
		2.10	\$729.50	

**A-17**

27-Jun	Cunningham	1.80	\$729.00	Participated in committee conference call regarding proposed acquisition, recent motions, and asbestos committee's fraudulent conveyance action.
	am			
27-Jun	MacCallum	1.80	\$531.00	Participated in committee conference call regarding proposed acquisition, recent motions, and asbestos committee's fraudulent conveyance action.
	m			
27-Jun	Ordway	0.60	\$285.00	Prepared for committee conference call.
27-Jun	Ordway	1.80	\$855.00	Participated in committee conference call regarding proposed acquisition, recent motions, and asbestos committee's fraudulent conveyance action.

## Exhibit A

27-Jun	Whitney	1.40	\$441.00	Participated in committee conference call regarding proposed acquisition, recent motions, and asbestos committee's fraudulent conveyance action.
		<hr/>		
		7.40	\$2,841.00	

**A-18**

3-Jul	MacCallum	1.20	\$354.00	Participated in phone call with Blackstone Group to discuss outstanding information request items and agenda, and in follow-up discussion with Sean Cunningham.
3-Jul	Whitney	1.20	\$378.00	Participated in phone call with Blackstone Group to discuss outstanding information request items and agenda, and in follow-up discussion with Sean Cunningham.
		<hr/>		
		2.40	\$732.00	

**A-19**

19-Jul	Cunningham	2.70	\$1,093.50	Analyzed historical profit and loss statements for FY 2000, First Quarter FY 2001 in preparation for site visit on July 26th and 27th.
20-Jul	Cunningham	6.50	\$2,632.50	Analyzed historical profit and loss statements for FY 2000, First Quarter FY 2001 in preparation for site visit on July 26th and 27th.
23-Jul	Cunningham	2.50	\$1,012.50	Prepared a list of questions and additional informational requests in preparation for site visit of July 26th and 27th.
25-Jul	MacCallum	4.00	\$1,180.00	Reviewed May operating results, questions and information requests submitted to Management, and other background material in preparation for meeting with Management.
25-Jul	Whitney	2.50	\$787.50	Prepared questions for 7/26 meeting at the Company.
26-Jul	Cunningham	10.00	\$4,050.00	Met with management to discuss and review: Operating results by business segment, Proposed acquisition in Europe, Business Planning process, Information request list.
26-Jul	MacCallum	3.50	\$1,032.50	Met with management to discuss and review: Operating results by business segment, Proposed acquisition in Europe, Business Planning process, Information request list.
26-Jul	Whitney	8.00	\$2,520.00	Met with financial personnel on site at the Company to discuss: The financial reporting process, Second quarter operating results, Treasury function, cash management and cash forecasts, The Advanced Refining Technologies joint venture, Intercompany indebtedness.
		<hr/>		
		39.70	\$14,308.50	

**A-20**

6-Aug	Cunningham	0.50	\$202.50	Discussed confidentiality issues with Blackstone.
6-Aug	Ordway	0.30	\$142.50	Discussed confidentiality issues with Blackstone.
		<hr/>		
		0.80	\$345.00	

**A-21**

7-Aug	Cunningham	0.80	\$324.00	Participated in conference call with counsel to review confidentiality concerns.
7-Aug	Ordway	0.70	\$332.50	Participated in conference call with counsel to review confidentiality concerns.
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		1.50	\$656.50	

**A-22**

9-Aug	Cunningham	1.00	\$405.00	Participated in conference call with Grace management and Blackstone re: June results.
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## Exhibit A

9-Aug	Whitney	1.50	\$472.50	Participated in conference call with the Company and Blackstone to discuss June performance questions submitted by the Company on August 3.
		2.50	\$877.50	

**A-23**

10-Aug	Cunningham	0.50	\$202.50	Reviewed proposed confidentiality agreement received from Grace and discussed with counsel.
10-Aug	Ordway	0.20	\$95.00	Discussed confidentiality agreement draft with counsel.
		0.70	\$297.50	

**A-24**

14-Aug	MacCallum	0.30	\$88.50	Participated in conference call with counsel regarding second amendment to confidentiality agreement.
14-Aug	Ordway	0.40	\$190.00	Reviewed revised draft of confidentiality agreement and discussed with counsel.
		0.70	\$278.50	

**A-25**

4-Sep	Cunningham	8.20	\$3,321.00	Analyzed and reviewed 5-year business plan in preparation for presentation by senior management.
4-Sep	Ordway	0.30	\$142.50	Read Debtor's 5-year business plan.
5-Sep	Cunningham	4.00	\$1,620.00	Analyzed and reviewed 5-year business plan in preparation for presentation by senior management.
5-Sep	Ordway	3.90	\$1,852.50	Read and analyzed business plan and prepared list of questions to discuss at meeting with management
6-Sep	Cunningham	7.50	\$3,037.50	Participated in presentation by Grace senior management regarding five-year business plan to financial advisors for the unsecured and other creditors' committees.
6-Sep	Ordway	1.80	\$855.00	Read and analyzed business plan and prepared for meeting with management
6-Sep	Ordway	5.20	\$2,470.00	Met with management to discuss 5-year business plan.
6-Sep	Whitney	0.5	\$157.50	Analyzed and reviewed five-year business plan in preparation for presentation by senior management.
6-Sep	Whitney	5.50	\$1,732.50	Participated in presentation by Grace senior management group to financial advisors for the unsecured and other creditors' committees.
7-Sep	Cunningham	0.60	\$243.00	Updated counsel as to information received at management presentation.
7-Sep	Ordway	0.60	\$285.00	Conference call with counsel to discuss status of work and meeting with management.
		38.10	\$15,716.50	

**A-26**

25-Sep	Cunningham	2.50	\$1,012.50	Reviewed results of analysis of five-year business plan with committee counsel and chairman.
25-Sep	Ordway	2.50	\$1,187.50	Met with Committee counsel and Chairman to review our preliminary analysis regarding 5-year business plan and hypothetical valuations.
		5.00	\$2,200.00	

**A-27**

1-Oct	Cunningham	1.00	\$405.00	Met with legal and tax counsel to review results of 5 year business plan.

## Exhibit A

1-Oct	Cunningham	1.10	\$445.50	Discussed with counsel various tax related issues related to the impact of certain reorganization scenarios affecting the Company NOL position, limitation on carryback opportunities and tax implications of cash repatriation from foreign subsidiaries.
1-Oct	Ordway	1.00	\$475.00	Met with counsel to review 5 year business plan.
1-Oct	Ordway	1.10	\$522.50	Discussed with counsel various tax related issues related to the impact of certain reorganization scenarios affecting the Company NOL position, limitation on carryback opportunities and tax implications of cash repatriation from foreign subsidiaries.
1-Oct	Whitney	2.00	\$630.00	Reviewed five-year plan prior to meeting.
1-Oct	Whitney	0.50	\$157.50	Attended Company presentation of five-year plan at Blackstone.
		6.70	\$2,635.50	

**A-28**

2-Oct	Ryan	2.00	\$950.00	Attended Steering Committee meeting at Stroock to interview asbestos consultant.
2-Oct	Whitney	1.50	\$472.50	Attended Steering Committee meeting at Stroock to interview asbestos consultant.
		3.50	\$1,422.50	

**A-29**

3-Oct	Cunningham	1.50	\$607.50	Participated in conference call with Grace management re: Project CHI acquisition.
3-Oct	MacCallum	0.70	\$206.50	Reviewed Project Chi material in preparation for conference call with Debtor.
3-Oct	MacCallum	1.00	\$295.00	Participated in conference call re: Project Chi.
		3.20	\$1,109.00	

**A-30**

19-Oct	Cunningham	1.30	\$526.50	Participated in conference call with Company counsel, committee counsel, Blackstone to discuss continued limitation on information disseminated from Company pertaining to information requests re: Legacy Liability.
19-Oct	Whitney	0.80	\$252.00	Participated in conference call with Company's attorneys to discuss tax information request.
		2.10	\$778.50	

**A-31**

9-Nov	MacCallum	0.80	\$236.00	Participated in conference call with Debtor management to discuss third quarter performance.
9-Nov	Whitney	0.50	\$157.50	Participated in conference call with Debtor management to discuss 3rd quarter performance.
		1.30	\$393.50	

**A-32**

20-Nov	Cunningham	1.30	\$526.50	Participated in conference call with management to review September issues and questions.
20-Nov	MacCallum	1.40	\$413.00	Participated in conference call with management to review September issues and questions.
20-Nov	Whitney	1.50	\$472.50	Participated in conference call with Debtor management to discuss list of 3rd quarter follow-up questions.
		4.20	\$1,412.00	

## Exhibit A

**A-33**

27-Nov	Cunningham	0.90	\$364.50	Participated in conference call with unsecured committee and counsel.
27-Nov	MacCallum	0.90	\$265.50	Participated in conference call with unsecured committee and counsel.
27-Nov	Ordway	0.90	\$427.50	Participated in conference call with unsecured committee.
27-Nov	Whitney	0.10	\$31.50	Reviewed data to prepare for unsecured committee conference call.
27-Nov	Whitney	0.90	\$283.50	Participated in unsecured committee conference call.
		3.70	\$1,372.50	



## Exhibit B

Date	Timekeeper	Time	Fee	Description
1-May	MacCallum	3.10	\$914.50	Prepared engagement letter and motion to employ P&M.
2-May	Ordway	1.50	\$712.50	Prepared court retention documents.
10-May	MacCallum	3.50	\$1,032.50	Continued with preparation of motion to employ P&M and statement of qualifications.
11-May	MacCallum	8.00	\$2,360.00	Completed preparation of engagement letter, motion to employ P&M, E. Ordway affidavit and statement of qualifications.
18-May	MacCallum	1.80	\$531.00	Compiled and prepared draft fee application for the period 4/21-4/30/01.
21-May	MacCallum	1.00	\$295.00	Continued with preparation of first interim fee application for the period 4/21-4/30/01.
22-May	MacCallum	1.60	\$472.00	Continued with preparation of first interim fee application for the period 4/21-4/30/01.
23-May	MacCallum	4.30	\$1,268.50	Continued with preparation of first interim fee application for the period 4/21-4/30/01.
24-May	MacCallum	3.50	\$1,032.50	Continued with preparation of first interim fee application for the period 4/21-4/30/01.
25-May	MacCallum	7.00	\$2,065.00	Revised first interim fee application for the period 4/21-4/30/01 based on review comments..
25-May	Ordway	0.70	\$332.50	Prepared fee application for April.
29-May	MacCallum	1.30	\$383.50	Revised first interim fee application for the period 4/21-4/30/01 based on review comments..
30-May	DiSalvio	3.40	\$595.00	Prepared and assembled company information binders (3) to include company financial data, press releases, SEC documents, high-yield research reports, sections of competitors SEC documents relating to asbestos litigation, litigation information, news articles, and the Johns Manville Trust.
14-Jun	MacCallum	4.00	\$1,180.00	Prepared draft fee application for the period 5/1-5/31/01.
20-Jun	MacCallum	2.50	\$737.50	Continued with preparation of draft fee application for the period 5/1-5/31/01.
26-Jun	MacCallum	2.60	\$767.00	Continued with preparation of draft fee application for the period 5/1-5/31/01.
27-Jun	Cunningham	2.60	\$1,053.00	Prepared fee applications for the periods 4/20-4/30/01 and 5/1-5/31/01.
27-Jun	MacCallum	10.50	\$3,097.50	Finalized preparation of fee application for the period 5/1-5/31/01.
28-Jun	MacCallum	4.20	\$1,239.00	Finalized preparation of fee application for the period 4/20-4/30/01. Revised fee applications based on review comments. Forwarded fee applications to counsel.
6-Jul	MacCallum	2.10	\$619.50	Began compilation of data for draft fee application for the period 6/1-6/30/01.
9-Jul	MacCallum	0.50	\$147.50	Began preparation of draft fee application for the period 6/1-6/30/01
9-Jul	Ordway	0.20	\$95.00	Prepared fee applications.
10-Jul	MacCallum	1.00	\$295.00	Began preparation of supporting schedules for draft fee application for the period /1-6/30/01.
10-Jul	Ordway	0.20	\$95.00	Organized files.
11-Jul	MacCallum	1.00	\$295.00	Continued with preparation of draft fee application for the period 5/1-5/31/01.
11-Jul	Ordway	0.60	\$285.00	Prepared fee applications.
13-Jul	MacCallum	2.00	\$590.00	Continued with preparation of draft fee application for

## Exhibit B

				the period 6/1-6/30/01.
16-Jul	MacCallum	1.30	\$383.50	Continued with preparation of supporting schedules for draft fee application for the period 6/1-6/30/01.
17-Jul	MacCallum	3.50	\$1,032.50	Began preparation of quarterly fee application for the period 4/22-6/30/01.
18-Jul	MacCallum	5.00	\$1,475.00	Continued with preparation of monthly and quarterly fee applications and supporting schedules.
25-Jul	MacCallum	3.30	\$973.50	Continued with preparation of draft fee application for the period 6/1-6/30/01.
25-Jul	Ordway	1.10	\$522.50	Reviewed/prepared fee applications.
26-Jul	MacCallum	2.20	\$649.00	Edited and revised Fee Application for the period 6/1-6/30/01 based on review comments.
26-Jul	Ordway	0.50	\$237.50	Reviewed/prepared fee applications.
27-Jul	MacCallum	1.30	\$383.50	Finalized monthly Fee Application for the period 6/1-6/30/01.
27-Jul	MacCallum	4.70	\$1,386.50	Finalized and forwarded to counsel quarterly fee application for the period 4/22-6/30/01 and affidavit.
10-Aug	Whitney	1.00	\$315.00	Prepared fee application.
13-Aug	MacCallum	2.20	\$649.00	Began compilation of data for draft fee application for the period 7/1-7/31/01.
14-Aug	MacCallum	1.00	\$295.00	Began preparation of draft fee application for the period 7/1-7/31/01.
17-Aug	MacCallum	1.20	\$354.00	Continued with preparation of fee application for the period 7/1-7/31/01.
20-Aug	MacCallum	2.00	\$590.00	Finalized supporting schedules for draft fee application for the period 7/1-7/31/01.
20-Aug	Ordway	0.70	\$332.50	Prepared fee application.
21-Aug	Ordway	0.70	\$332.50	Prepared fee application.
22-Aug	MacCallum	1.00	\$295.00	Finalized preparation of fee application for the period 4/20-4/30/01.
23-Aug	MacCallum	1.60	\$472.00	Revised fee application based on review comments. Forwarded fee application to counsel.
23-Aug	Ordway	0.40	\$190.00	Prepared fee application.
21-Sep	MacCallum	7.80	\$2,301.00	Began preparation of fee application for the period 8/1-8/31/01.
21-Sep	Whitney	0.40	\$126.00	Prepared supporting schedule for fee application.
24-Sep	MacCallum	3.50	\$1,032.50	Continued with preparation of fee application for the period 8/1-8/31/01.
25-Sep	MacCallum	3.60	\$1,062.00	Continued with preparation of fee application for the period 8/1-8/31/01.
27-Sep	MacCallum	0.50	\$147.50	Finalized fee application for the period 8/1-8/31/01.
12-Oct	Whitney	0.50	\$157.50	Prepared September time summary.
18-Oct	MacCallum	3.00	\$885.00	Began preparation of fee application and supporting schedules for the period 9/1-9/30/01.
22-Oct	MacCallum	2.00	\$590.00	Continued with preparation of fee application and supporting schedules for the period 9/1-9/30/01.
23-Oct	MacCallum	1.50	\$442.50	Continued with preparation of fee application and supporting schedules for the period 9/1-9/30/01.
24-Oct	MacCallum	2.90	\$855.50	Continued with preparation of fee application and supporting schedules for the period 9/1-9/30/01.
24-Oct	Ordway	1.10	\$522.50	Prepared fee application.

## Exhibit B

26-Oct	MacCallum	1.90	\$560.50	Continued with preparation of fee application and supporting schedules for the period 9/1-9/30/01.
26-Oct	MacCallum	2.60	\$767.00	Prepared quarterly interim fee application for the period 7/1/01-9/30/01.
29-Oct	MacCallum	2.10	\$619.50	Finalized and forwarded to counsel monthly and quarterly fee applications for the periods ended 9/30/01.
13-Nov	Whitney	1.00	\$315.00	Prepared data for October fee application.
15-Nov	MacCallum	2.10	\$619.50	Prepared fee application for the period 10/1-10/31/01.
26-Nov	MacCallum	3.50	\$1,032.50	Continued with preparation of fee application and supporting schedules for the period 10/1-10/31/01.
27-Nov	MacCallum	2.10	\$619.50	Continued with preparation of fee application and supporting schedules for the period 10/1-10/31/01.
27-Nov	Ordway	0.70	\$332.50	Prepared fee application.
28-Nov	MacCallum	2.50	\$737.50	Completed preparation of fee application and supporting schedules for the period 10/1-10/31/01 and forwarded to counsel.
14-Dec	MacCallum	1.50	\$442.50	Continued with preparation of fee application and supporting schedules for the period 11/1-11/30/01.
17-Dec	MacCallum	2.00	\$590.00	Continued with preparation of fee application and supporting schedules for the period 11/1-11/30/01.
17-Dec	Ordway	0.30	\$142.50	Prepared fee application.
17-Dec	Whitney	1.00	\$315.00	Prepared fee application.
18-Dec	Ordway	0.50	\$237.50	Prepared fee application.
19-Dec	MacCallum	4.00	\$1,180.00	Continued with preparation of fee application and supporting schedules for the period 11/1-11/30/01.
20-Dec	MacCallum	8.00	\$2,360.00	Continued with preparation of fee application and supporting schedules for the period 11/1-11/30/01.
27-Dec	MacCallum	1.50	\$442.50	Completed preparation of fee application and supporting schedules for the period 11/1-11/30/01 and forwarded to counsel.
		173.50	\$52,794.50	

Response Exhibit 1

In general, given the complexity, scope and size of the business and the number of significant issues to be covered at meetings, hearings and/or conference calls, FTI P&M may assign more than one case team staff member to attend the meeting, hearing and/or conference call, each of whom has an understanding of the overall consolidated operations, of the divisional operations of the Company and of specific issues such as Company acquisitions, divestments and compensation and incentive plans, asbestos litigation and fraudulent conveyance issues.

Also, and in general, the attendance of more than one individual at a meeting, hearing and/or conference call is important in retaining an awareness and up-to-date knowledge of case issues among management and staff members assigned to the case. It has been the historical practice of FTI P&M to assign more than one staff member to attend meetings in cases of great complexity. The practice is consistent and the number of attendants in these instances is in the low end of competitive practices.

In our role as advisor to the Committee, we regularly participate in meetings and conference calls with the Committee to share with them our findings and recommendations from our investigative work. In our judgment, to best communicate our findings and recommendations, we believe it is often necessary for more than one member of the team to participate since a) most of our investigative activities are performed by more than one person, or b) frequently, multiple topics will be discussed which may have been investigated by more than one team member.

Additionally, attendance by more than one individual allows the Committee the benefit of having present at the meetings, hearings and/or conference calls individuals that are skilled in the strategy of managing large case issues as well as individuals focused on the details of the case issues.

Further, the practice of assigning more than one individual to attend a meeting, hearing and/or conference call greatly enhances our effectiveness and our flexibility in managing FTI P&M responses to requests by the Committee. This is the most direct and efficient method to ensure that key case team members are up-to-date and fully informed on the numerous and complex issues in the case. The information obtained at these meetings, hearings and/or conference calls is selectively disseminated to other case team members on an as-needed and specific-issue basis.

When at all possible, both fees and expenses associated with meetings are minimized by use of conference calls. This clearly reduces potential travel time and associated costs.

The utility of attendance at meetings, hearings and/or conference calls by more than one individual is always carefully weighed by the senior manager assigned to the case.

Generally, as the senior members of the case team become thoroughly educated with respect to the case issues and as the detailed informational requirements of the Committee regarding case issues increase, FTI P&M will typically involve less senior case team members in these

meetings, hearings and/or conference calls. This has historically been the most efficient method to respond to Committee requirements. FTI P&M firmly believes that inclusion of the less senior case team members, at the appropriate point in the case, overall minimizes the amount of time the senior case team members spend on the case and thus has the overall effect of lowering fees charged in the case.

The attendance by more than one individual at meetings, hearings and/or conference calls is not an effort by FTI P&M to unnecessarily charge the bankruptcy estate for excess fees but has always been the result of efforts by FTI P&M to respond in an efficient, responsible, diligent and meaningful manner to the requirements of the Committee in this and other cases.

Two senior staff members, along with other staff members, were assigned to this case. Timekeeper Ordway and/or timekeeper Cunningham attended the great majority of the meetings, hearing and/or conference calls during the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> interim periods. Timekeeper Ordway has participated in over 100 bankruptcy cases, some as large as this case. His experience provides the Committee with both a global perspective and the ability to strategize appropriately on case issues. Timekeeper Cunningham has participated in over 25 bankruptcy cases. His particular efforts with regard to this case revolve upon managing the detail analyses necessary to gaining an understanding of the specifics of the case issues. Two other timekeepers, MacCallum and Whitney also attended some meetings. Timekeeper Ryan attended one meeting.

Specifically, we would like to address each of the meetings, hearings and/or conference calls cited by the Fee Auditor, grouped, as follows:

#### Group I

A-1, A-2, A-3, A-4, A-5, A-6, A-7, A-8, A-9, A-10

This group of meetings took place during the first month of the FTI engagement and, with the exception of A-9, were attended by two timekeepers, Ordway and Cunningham. The purpose of these initial meetings was to introduce and discuss the major issues of the case among the Committee members, Committee counsel, the Debtors, the Debtors' advisors and FTI as financial advisors to the Committee. FTI believes that the assignment of two of its senior professionals to attend these meetings was appropriate given that the substantive case issues were numerous and complex.

#### Group II

A-13, A-18, A-19, A-22, A-25, A-27, A-29, A-30, A-31, A-32, A-33

These meetings were primarily concerned with acquiring an understanding of the on-going operations and finances of the Company. FTI assigned lower rate professionals to attend the meetings and limited the direct involvement of more senior personnel whenever it deemed prudent to do so. The lower rate professionals prepare most of the analyses and FTI believes that the most efficient method for these individuals to obtain information necessary to perform these analyses is to attend these meetings.

### Group III

A-11, A-12, A-13, A-14, A-15, A-16, A-17, A-20, A-21, A-23, A-24, A-26, A-28

These meetings were concerned, primarily, with discussion of major case issues and with updating and sharing information with the Committee and Committee's counsel. With the exception of A-11 and A-17, the meeting attendance was limited to two FTI case team members. When appropriate, the second case team member assigned to attend the meeting was a lower rate professional who was involved in preparing the detailed analyses pertaining to the issue at hand.

Accordingly, we respectfully request that the Fee Auditor let stand these charges.